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MANAGEMENT AUDIT REPORT

of the

SOUTH CENTRAL MULTI-SERVICE AND
CHILD DEVELOPMENT CENTER

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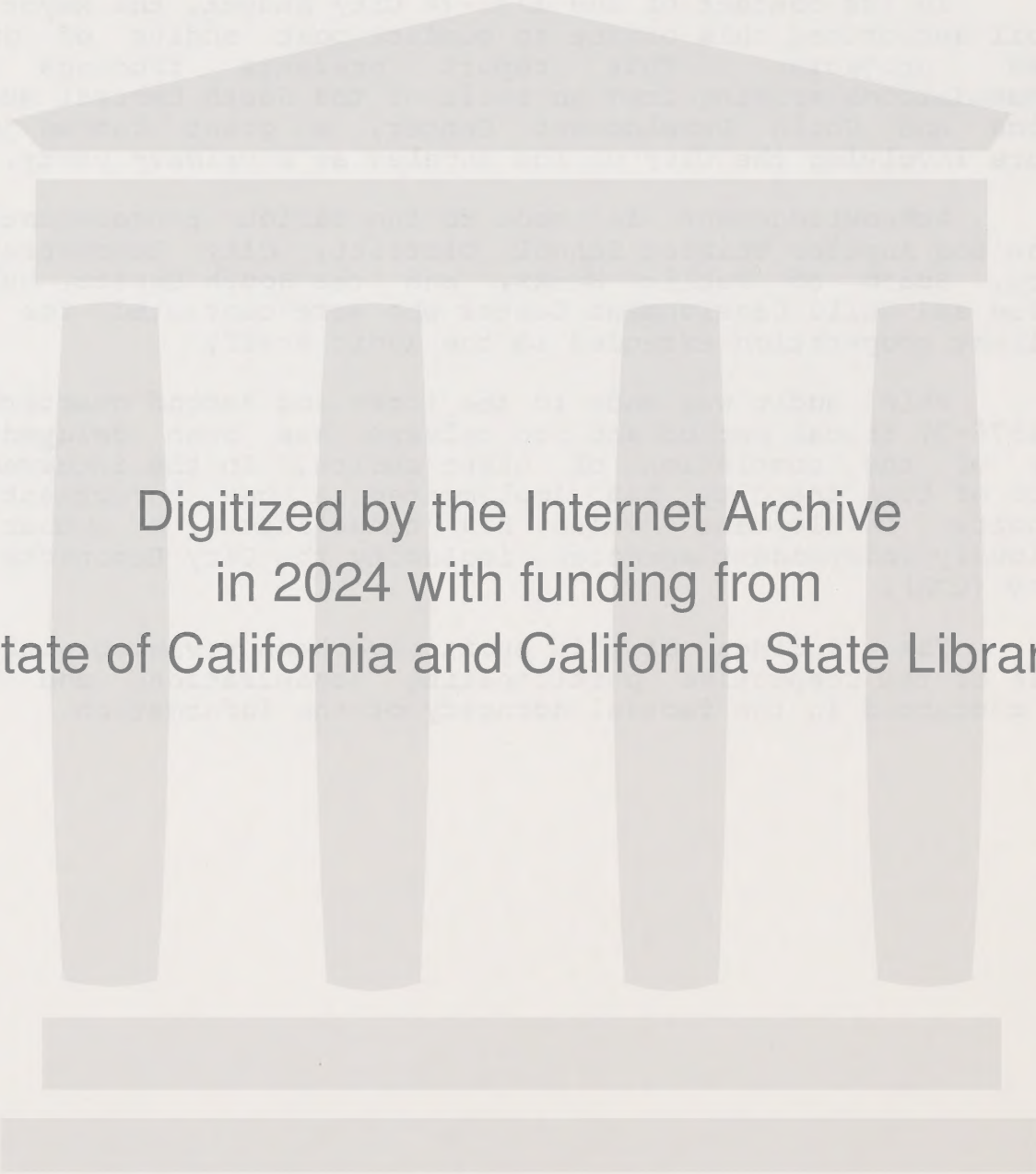
INTRODUCTION

In the context of the 1973-74 City Budget, the Mayor and Council authorized this office to conduct post audits of grant funded projects. This report presents findings and recommendations arising from an audit of the South Central Multi-Service and Child Development Center, a grant funded joint venture involving the City of Los Angeles as a primary party.

Acknowledgement is made to the various representatives of the Los Angeles Unified School District, City Demonstration Agency, Board of Public Works, and the South Central Multi-Service and Child Development Center who were contacted for the excellent cooperation extended to the audit staff.

This audit was made in the first and second quarters of the 1976-77 fiscal period and its release has been delayed in favor of the completion of other audits. In the intervening period of time the City has implemented a new Department of Community Development which has consolidated a number of previously independent agencies, including the City Demonstration Agency (CDA).

The findings of this audit have been reviewed with the staffs of the respective participating organizations and they have concurred in the factual accuracy of the information.



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SUMMARY

The construction of the South Central Multi-Service and Child Development Center with majority funding from the Federal Government, was a unique project for the City of Los Angeles, requiring three separate contracts to establish the joint funding necessary for the construction of the facility and the administrative capability for operating it. Since it is the only facility to be constructed by the City in this manner, numerous procedural, administrative and financial difficulties were encountered. However, the experience gained from this project resulted in development of administrative procedures which are now being successfully utilized on other grant funded construction projects.

Notwithstanding the fact that a number of problem areas have been resolved over the life of the project, certain considerations, such as specific assignment of responsibility for the operation of the facility, and definition of the specific relationships between certain City agencies, require further clarification and action by the City. Serious thought must be given to the problems inherent in utilizing contracts of this type to accomplish project objectives such as those described in the body of this report.

In addition to the general difficulties concerning the construction and financing of the facility, specific problems with provisions of the various contracts, relating to the administration and financing of the facility, still exist and require solution. This report deals with the various problems at both levels and presents recommendations for improvement.

The facility currently is occupied by tenants who mainly provide educational, health, and counseling services to the community in accordance with the objectives established for the facility. However, no means of monitoring currently exist to evaluate the effectiveness of these programs or ensure attainment of all established objectives. Furthermore, the City in this instance is subsidizing with General Fund monies a project that is largely educational in nature and under the sponsorship of the Los Angeles Unified School District. This fact gives rise to a basic question as to the advisability of either continuing the present relationship or embarking upon similar programs in the future, unless they are self-supporting or the City is guaranteed full reimbursement for any operational costs incurred.

RECOMMENDATIONS

That the Council:

1. Instruct the General Manager of the Community Development Department to develop review, evaluation, and control procedures to monitor the operations of the Multi-Service Center; and to annually report to the Mayor and Council on the progress being made toward accomplishing the goals specified in the various controlling agreements.
2. Amend its resolution adopted June 16, 1972 to:
 - a. Restrict future involvement of the Community Development Department, to the initial conceptual development stage of capital projects of this type and related liaison; and
 - b. Designate the Department of Public Works as the sole City agency responsible for acquiring sites, finalizing plans, preparing estimates, and administering construction.
3. Instruct the General Manager of the Community Development Department, to centralize all financial records for the South Central Los Angeles Multi-Service and Child Development Center project, including copies of all Public Works financial records for the project, as well as documentation on the source of funding by account and project, disbursements made by account and agency, costs incurred, and reimbursements received and anticipated.
4. Instruct the City Controller and the City Treasurer to develop and accumulate costs, including overhead, associated with providing services to the operating agency; and provide such cost information to the Bureau of Accounting, Department of Public Works.
5. Instruct the City Administrative Officer, in cooperation with the Los Angeles Unified School District, to reassess the existing Joint Powers Agreement with a view to reducing the subsidy of the City by accomplishing the following:
 - a. Transfer responsibility for the operation of the facility from the City of Los Angeles to the School District; or if this is not possible,
 - b. Amend the existing Joint Powers Agreement to specifically set forth the manner in which reimbursement

will be calculated to ensure the City will be totally reimbursed for its costs in supporting the Los Angeles Unified School District's programs in that facility. Consideration should be given to possible lease agreements specifying the charge per square foot.

That the Controller:

6. Conduct an internal audit of the accounting and financial control systems of the South Central Multi-Service and Child Development Center project in accordance with the regular program of audits performed by his Office.

FINDINGS

Concept Development and Background

In 1968, the Rockefeller Foundation approved a funding request for a project entitled the Joint Enrichment Team (JET), a joint venture by the Los Angeles Unified School District (LAUSD), the California State College at Los Angeles (CSCLA) Foundation, and representatives of the South Central Los Angeles community. The purpose of the Team was to develop and promote improved educational programs in South Central Los Angeles, and to identify community problems and develop innovative solutions. One of the project concepts developed by JET was that of a child care center in South Central Los Angeles.

After development of preliminary drawings and cost estimates for the construction of a facility which incorporated the project concepts, JET contacted various sources, including LAUSD, the Department of Health, Education and Welfare, the Department of Justice, the Department of Labor, and the Department of Housing and Urban Development (HUD), in an attempt to locate financing for the proposal. HUD agreed to finance the project from the Neighborhood Facilities Grant Program which requires that one-third of the funding be provided by local agencies. However, HUD insisted the concept be modified to provide for community social service agencies, in addition to the planned educational programs, to be housed in a "Multi-Service and Child Development Center." This change in scope required alterations to the original plans. The School District agreed to provide land for the project as part of the one-third matching funds. HUD officials then suggested that JET contact the Los Angeles City Demonstration Agency (CDA), which was responsible for administering grant funds allocated to the City under the Model Cities Program, to identify the remaining portion of the one-third local contribution.

In late 1971, JET contacted the CDA to determine the availability of this source of funding for the remaining portion of the in-kind contribution. Sufficient funds were identified in the Model Cities grant administered by CDA to finance the remainder of the required contribution. Although JET had obtained an oral commitment from HUD to finance the project, a formal grant application had to be prepared and submitted. It was initially anticipated that the LAUSD and CSCLA Foundation would prepare the formal grant application. However, HUD requirements for the Neighborhood Facilities Program specifically provided that a "local public body", defined as a governmental agency, must make application. Therefore, it was necessary for either the City or County to prepare the application for funds.

JET staff worked with members of the City Council, attending numerous committee meetings and Council sessions, to develop a grant request. Because the CDA was charged with the responsibility to administer Model City grant funds, that agency was designated to serve as a liaison between JET and other City departments.

Agreements Developed

1. Grant Contract

Total cost of the project was estimated initially at \$1,521,838 by the architect retained by JET to design a child care center. It was anticipated that \$1,058,292 would be provided from the HUD Neighborhood Facilities Grant; \$251,546 from Model Cities Grant Funds; and \$212,000 by the LAUSD in the form of a 2.07 acre parcel of property to be used as the site for the construction of the facility.

HUD approved an allocation of \$856,422 from the Neighborhood Facility Program to the City of Los Angeles for project development on July 10, 1972. Subsequently, on July 15, 1973, HUD approved an amendment to the contract which increased the amount provided by \$83,667 to \$940,089. The contract with HUD required the execution of a Joint Powers Agreement (JPA) between the City of Los Angeles and the LAUSD to create an operating agency for the facility.

2. Joint Powers Agreement

It was initially anticipated that JET would operate the facility upon completion of construction. However, it was known that alternative funding sources, such as the City or School District would be necessary since termination of the Rockefeller Foundation funding was imminent. This grant, originally programmed for two years, had received approval for two extensions of two years each.

As the project progressed, the concept of utilizing a board of directors to control the operation of the facility was developed. Therefore, when the grant proposal was submitted to HUD it contained a provision that the JPA would create an agency to operate the facility. JET worked extensively with both the City and the Board of Education on the development of a JPA that was acceptable to all concerned.

The City Council, in January, 1972 approved the JPA between the City of Los Angeles and the LAUSD. The JPA created a third agency, the South Central Multi-Service and Child Development Center Agency, to directly administer establishment and maintenance of a community center. Although the South Central Los Angeles Multi-Service and Child Development Center Agency was incorporated on July 27, 1972, the operating agency agreement specifically states the City has no relationship of any type with the corporation. The agreement clearly provides that the City is contracting with the agency established by the JPA and repudiates any relationship with the corporation of the same name.

The agency is under the control of an eleven member Board of Directors. At the time of the audit, the members were:

<u>Name</u>	<u>Appointed</u>	<u>Representative</u>
Arthur Hall		
Chairman	1972	Community
Flordy McKinney		
Secretary	1972	Community
Raymond Bailey	1972	Community
Charles Meigs	1972	Community
Ravella Holmes	1972	LAUSD
Al Clark	1972	LAUSD
Othella Daniels	1972	LAUSD
David Miller	1972	Cal State L.A.
Charles Murphy	1972	City of Los Angeles
Shirley Sprinkles	1974	City of Los Angeles
William Jones	1976	City of Los Angeles

Mr. Murphy is from the Housing Authority, Ms. Sprinkles is on the staff of Councilman Farrell, and Mr. Jones is employed by the CDA.

The Center is to provide improved educational opportunities for pre-school, elementary, and high school children in the Model Cities Greater Watts Area IV. In addition, other essential social services which were desired and needed by the residents of the area would be located in the Center.

The agreement further provided the Los Angeles Unified School District would furnish without cost to the City a 2.07 acre parcel of real property located across the street from Locke High School for the purpose of constructing a multi-service and child development center.

3. Operating Agency Agreement

On August 11, 1972, the City entered into a contract with the South Central Los Angeles Multi-Service and Child Development Center Agency which had been created by the JPA. The agreement, which incorporated several of the provisions of the JPA, provided:

- a. The neighborhood facility would be used to carry out a program of health, recreation, social, or similar community services.
- b. No change in the use of the facility can be made without prior consent by the City of Los Angeles. The facility may not be used for municipal office space or any political purpose.
- c. Consent of the City of Los Angeles is required to transfer any control or supervision of the facility to another entity.
- d. The operating agency is required to "at all times keep the Neighborhood Facility in good and safe condition of repair and not permit, commit, or suffer waste or impairment of the Neighborhood Facility, its site, or any part thereof."

Operational Responsibility

The three agreements entered into by the City of Los Angeles for this project all address to some extent the party responsible for the operation of the facility. The contract between HUD and the City of Los Angeles states:

The City:

- a. Will utilize a non-profit organization, approved by the City and subject to the City's continued control, to accomplish the project objectives. Although the provision empowers the City to delegate its control of the facility, the City remains ultimately responsible to HUD for the operation of the facility to accomplish the goals specified in the contract.
- b. Must submit any information relating to the operation of the Neighborhood Facility as may be required by the government to determine whether its operation is in

accordance with the contract and the rules and regulations of the Secretary (HUD).

The JPA:

- a. Establishes the operating agency but does not allow it to bind any of the parties to the JPA to any debt, liability, or obligation.
- b. Requires the agency to exercise its powers in accordance with the established procedures of the City.
- c. Requires the adoption of appropriate rules and regulations for the orderly transaction of business.

The agreement between the City of Los Angeles and the operating agency clearly reserves to the City control over the operation of the facility in the following provisions:

- a. "...the use of the completed neighborhood facility will be subject to the continuing control of the Local Public Body for a period of at least 20 years after completion of the project."
- b. The City Treasurer and City Controller shall perform financial support functions for the operating agency.
- c. The agency will not enter into any lease or agreement transferring the control or supervision of the facility to any other entity without the prior approval of the City.
- d. No fees or charges will be assessed for the services and benefits of the neighborhood facility without the prior approval of the City.
- e. The agency will at all times keep the neighborhood facility in good and safe condition and repair.
- f. The agency will submit to the City such data, reports, and copies of records and documents relating to the carrying out of the project in the operation of the neighborhood facility as the City may require.

It is evident from the foregoing conditions, and reaffirmed by discussions with the staff of the City Attorney, that the Federal Government, through HUD, ultimately holds the City responsible for the effective operation of the facility in accomplishing the established goals. Further, although the City has delegated authority to administer the facility and evaluate the effectiveness of the community service agencies to the

operating agency, the City retains the responsibility to HUD to monitor and evaluate the operation of the facility. However, no City agency is currently involved in any activity of this type. It is essential that a focal point be established in the City where responsibility resides for fulfilling the City's commitments under the existing contracts, to ensure progress toward attainment of the stated objectives. The designated agency would process all requests for funds, centralize information, monitor operation of the facility and evaluate its effectiveness. (See Recommendation No. 1).

Financing the Facility

Financing for design and construction of the facility totaled \$2,578,445 as follows:

<u>Funding Source</u>	<u>Initial Allocation</u>	<u>Supplemental Allocations</u>	<u>Total Available</u>
NFG*	\$ 856,422	\$ 83,667	\$ 940,089
MCG**	<u>216,204</u>	<u>1,422,152</u>	<u>\$1,638,356</u>
Total	<u>\$1,072,626</u>	<u>\$1,505,819</u>	<u>\$2,578,445</u>

* Neighborhood Facility Grant

** Model Cities Grant

HUD, in response to requests for increased funding under the Neighborhood Facilities Program, recommended the City identify the additional funding in the Model Cities grants administered by the latter agency, since the funding source for both programs were HUD Federal Grant monies, in effect the same ultimate source.

The required funds were allocated from a \$7.6 million supplemental allocation from HUD to the City. In that same action, approval was given to advance \$200,000 of City funds to the Project if these funds were required for payment to the contractor due to the possible unavailability of grant funds. However, the transfer was not required as grant funding was available on a timely basis.

Actual costs for design and construction of this project totaled \$2,244,228. The Los Angeles School District provided the property at a cost of \$217,300 for a total project cost of \$2,461,528. The expenditures associated with this project are as follows:

<u>Source of Funding</u>	<u>Reason for Expenditure</u>	<u>Total Expended</u>
NFG & MCG	Construction of Facility -- Contract 43797	\$1,929,912
NFG & MCG	Contingency Items:	
	Change Order 1-41	\$50,912
	Payment to Water and Power for Relocation of Power Poles - IDO 1572 and IDO 1589	4,339
	State of California Review Design for Earthquake Compliance -- AFE433445	5,200
	Training Reproduction of Blueprints -- AFE41218	985
	Purchase of Panic Hardware and Locks	649
	Total Contingencies	\$ 62,085
MCG	Architectural Services -- Contract 42143	85,556
MCG	Administrative Overhead Reim- bursed to the City	91,411
City of L. A.	Administrative Overhead	22,853
	Total Administrative Overhead	114,264
MCG	Relocation Assistance*	52,411
	Subtotal Design and Construction	\$2,244,228
L.A. School District	Purchase of Land	\$ 217,300
	Total Project Cost	<u>\$2,461,528</u>

*It was initially anticipated that approximately \$125,000 would be required for relocation assistance. The grant from HUD included \$83,667 for relocation assistance and CDA was to fund \$41,333 as a part of the financing to be provided for the project. However, the actual relocation cost of \$52,411 was completely funded from the Model Cities relocation account. Therefore, none of the \$125,000 initially designated for relocation was expended in this area.

In view of the fact that \$2,168,964, which does not include relocation assistance or City overhead cost, was expended from the available grant funding of \$2,578,445, a surplus of nearly \$400,000 resulted from this project. Since these funds cannot be utilized to finance any additional reimbursement to the City, steps have been taken to reprogram these funds to other Model Cities projects.

Cost Estimates

Cost of the facility continued to escalate from the original estimates, prepared by the architect employed by JET until the award of the construction contract. The deficits resulted not only from inaccuracies in the original estimates, but from increased cost occasioned by modification of construction plans to provide space to house community service agencies; stringent code requirements concerning the type of materials and construction methods utilized for public buildings; redesign of the structure to meet the previous two constraints; and inflation that occurred during the delays required to identify additional funding. (See Appendix I for a chronology of significant events).

The requirement for additional funds, recognized by all concerned, necessitated holding plans and delaying the bid procedure until the required funds had been identified. These problems have now been largely eliminated by referring these types of projects, after conceptual development, to the Department of Public Works for design, estimate, and construction control. This procedure allows a more accurate representation of costs so that sufficient funds can be identified at the outset of the project.

The multi-service facility was the first construction project involving the CDA and the first Model Cities site construction project attempted by the City of Los Angeles. Since City staff had no experience with grant funded construction projects of this type, no administrative control or co-ordinating procedures had ever been established. The lack of these procedures contributed to the delays in the implementation of the program. However, areas of responsibility and administrative procedures involving the Board of Public Works, CDA, HUD, the operating agency, the Chief Legislative Analyst's Office, and the bureaus concerned, have been developed and refined as a result of this project.

Development of Administrative Control

In the initial stages of contact between JET and CDA, CDA envisioned its role as providing all approvals and overseeing the complete construction of the facility. However, CDA staff

did not possess the expertise to provide the services required for controlling a capital construction project. The CDA requested technical assistance from the Department of Public Works in the various fields required for capital construction projects including appraisal, inspection, architectural design and estimating. In response to this request the Board of Public Works established procedures governing services to be provided to CDA for capital construction projects. This procedure was approved by CDA and formally adopted by City Council resolution.

The role of the Department of Public Works, which initially was advisory, was expanded to provide the necessary expertise while CDA's role became that of a limited liaison between JET and the community on one hand and the City agencies on the other. However, even in the role of limited liaison, severe communication and time delay problems arose through utilization of CDA staff. For this reason informal lines of communication were opened between City agencies, JET, and the community to resolve the problems. Additionally, through the use of the Intergovernment Personnel Act, the Chief Legislative Analyst's (CLA) Office arranged for two staff members from HUD to be assigned on a temporary loan basis to expedite the various grant projects.

Most of the administrative and communication problems now appear to have been largely resolved with the change in role played by CDA and the development and implementation of rules and procedures for grant funded construction projects. Should these types of projects be considered in the future, steps should be taken to reduce the number of City agencies involved in the review and control process. Although CDA involvement in the initial planning stages of the project is necessary to aid in establishing realistic guidelines that can be accomplished by the community, any further role is unnecessary. The expertise for administration and construction of these types of facilities resides in the Department of Public Works and should be handled exclusively by that agency. (See Recommendation No. 2.)

Support Records

The records maintained by the Department of Public Works for the cost incurred in construction of this facility appear complete and factual. All related documentation for this project should be centralized in one location in the Bureau of Accounting, however, in order to facilitate a financial audit.

The CDA relies heavily on the cost figures supplied by the Department of Public Works. The CDA records are fragmented and in many instances incomplete. In order to obtain a complete record for this project, the CDA should obtain copies of the cost records from Public Works, centralize the information, reconcile

in-house records with the Department of Public Works, and identify and document the specific funding sources and processes by which monies were transferred from one account to another. (See Recommendation No. 3.)

Financial Control

The contract between the operating agency and the City of Los Angeles states the City Controller and Treasurer will provide the same services to the operating agency, i.e., maintaining records of receipts and disbursements and payroll records, as provided to other City departments. Additionally, the cost of these services will be accumulated and billed to the operating agency.

Neither the Controller nor the Treasurer is currently accumulating costs. Billings have not been prepared, nor is there any plan to bill the operating agency for any of these costs. The costs should be accumulated to reflect the total amount of resources provided this project by the City. Because the facility is not financially self-supporting, any additional cost billed to the operating agency probably would be absorbed by the City either through general fund monies or through allocation of grant fund monies. Therefore, some change in this provision is appropriate to eliminate the need for the City to bill itself for services rendered. (See Recommendation No. 4.)

As reported to the Management Audit staff, an external financial audit of the design and construction of the Center has been conducted and accepted by HUD recently. However, an examination of the system of accounts and financial controls employed in the day-to-day operation of the facility has not been made to date. (See Recommendation No. 6).

Cost of Operation

The JPA, as well as the contract with the operating agency, stipulates that the City of Los Angeles will provide custodial and maintenance services and the administrative staff for the facility.

Estimates of the cost of operation of this facility are as follows:

<u>Cost Item</u>	<u>Annual Estimate Nov. 1971</u>	<u>Annual Estimate Sept. 1975</u>	<u>Actual Sept 1975 to Jun. 1976</u>	<u>Auditor's Estimate for 1976-77</u>
Administrative Staff*	\$ 24,654	\$ 44,791	\$ 30,746	\$ 42,800
Custodial & Maint. Staff*	39,458	47,260	49,054	82,800
Utilities	9,120	26,700	14,389	33,000
Grounds Maintenance	1,000	3,500	5,243	10,000
	<u>\$ 73,232</u>	<u>\$122,251</u>	<u>\$ 99,432</u>	<u>\$168,600</u>
Revenue Projections	\$ 69,000	\$ 73,558	\$ 75,342	\$141,455
Deficit	<u>\$ (3,232)</u>	<u>\$ (48,693)</u>	<u>\$ (24,090)</u>	<u>\$ (27,145)</u>

*Includes salaries and expense items.

The above figures do not include an annual expenditure of approximately \$20,000 for insurance, telephones and miscellaneous equipment which is currently being financed from Model Cities grant funds under a contract between the City and the operating agency. The estimated cost to operate the facility during the 1976-77 fiscal year is based on the following assumptions:

1. Full year operation.
2. Increase in salaries and materials costs of 5%.
3. Increased usage of utilities and maintenance as a result of nearly full occupancy of the facility.
4. Rate increase in utilities of 5%.

It should be noted the major portion of the utility cost, particularly natural gas, is attributable to the extensive kitchen and laundry facilities of LAUSD.

The difference in the above cost estimates is largely due to the salary increases for the operations and custodial staff, the inclusion of indirect cost in the latter estimates, less than full occupancy of the facility, and the utilization by the School District of twice as much space as initially anticipated, which reduces space available for leasing to other tenants.

Under the terms of the JPA the School District must occupy a minimum of 9,688 square feet of floor space or about 30%

of the available space, and reimburse the City for the cost for maintenance and custodial service provided for that portion of the facility which they occupy. Currently LAUSD is occupying 20,899 sq. ft. or about 63% of the total available space in the facility. (See Appendix II) The projected deficit of \$24,090 assumes LAUSD will provide reimbursement for the cost of the administrative staff of the center.

Revenue Generated

Subsequent to HUD approval of the construction of the facility, several agencies agreed to lease office space. However, due to the extended period of time required to complete construction of the facility many of these tenants had, by necessity, located other space for occupancy.

On June 30, 1976, accumulated lease payments of \$11,982 were transferred to the General Fund. These funds combined with the projected return of \$63,600 from LAUSD would result in a deficit of approximately \$25,900 for the 1975-76 fiscal year.

The deficit could theoretically be eliminated if LAUSD occupied only the minimum space allocated and the remainder were leased. However, restricting LAUSD to the minimum space would render their programs inoperable. Also, it is not clear whether this action would be financially beneficial or detrimental to the City. There is no basis to assume that the additional office space could be leased. Failure to lease the space would eliminate reimbursement of the City's maintenance cost resulting in an even larger deficit. Therefore, negotiation of a preferred rental rate for LAUSD would be better advised.

The office space not utilized by the School District is available for lease to other agencies and is currently being leased at \$.55 per square foot per month. Although this rate is substantially above the rates for other office space in the area, this is prime space which offers surroundings and amenities not available elsewhere. However, it is highly unlikely the facility could compete in the open market utilizing such a rate.

All the agencies currently occupying the facility are grant funded and have agreed to the established rate. The administrator has done an effective job in locating tenants in the face of the differential in rate structures, although full occupancy has yet to be achieved. The task of locating tenants has been greatly compounded in that community action groups have not materialized in the numbers forecast at the commencement of this project. As of May 1, 1976, the following agencies were leasing space in the facility:

<u>Organization</u>	<u>Square Feet Occupied</u>	<u>Monthly Lease Payment</u>
Sons of Watts	1,144 sq. ft.	\$ 629.20
Western Association Neighborhood Health Services	255 sq. ft.	140.25
Metropolitan Educational Child Care	400 sq. ft.	220.00
Easter Seal Society	720 sq. ft.	396.00
Youth Information Center (Teen Post)	820 sq. ft.	451.00
Project HEAVY I (Teen Post)	654 sq. ft.	359.70
Project HEAVY II (Teen Post)	200 sq. ft.	110.00
YWCA	728 sq. ft.	400.40
Total	4,921 sq. ft.	\$2,706.55

The yearly revenue generated from these leases will total \$32,478.60.

Lease of the remaining available space of approximately 418 square feet would generate yearly revenue of \$2,758.80 yielding a total revenue to the City of \$35,237.40.

This maximum revenue combined with the projected reimbursement from LAUSD for the 1976-77 fiscal year operation would result in a projected operating deficit of approximately \$27,145. Since rental rates are fixed for the term of the lease while the costs of operation are influenced by inflation, rate increase for utilities, and salary increases, it can be reasonably expected that the cost to the City for the operation of the facility will continue to escalate while revenues remain static resulting in larger deficits.

If LAUSD will not reimburse the City for a major portion of these deficits, the City should enter into negotiations to amend the JPA to provide a more equitable distribution of costs. In preliminary discussions with the Management Audit staff, the staff of the School District appear to be receptive to the prospect of amending the JPA. (See Recommendation No. 5.)

Current Operation and Administration

The operation of the Multi-Service Center is currently under the control of the South Central Los Angeles Multi-Service and Child Development Center Agency which, in turn, is operated by a board of directors. The Director and clerical position assigned to the facility and financed by the City, act as the staff for the board of directors.

Two members of the board of directors, employees of LAUSD, are project directors for the Infant-Toddlers Center and the Pre-School and Day Care centers, both of which are operated by LAUSD. Although a possible conflict of interest could arise for an individual being involved in both the administration and evaluation of a program, it is essential that professionals who are aware of the technical aspects and the state of the art of the programs, be involved in their operation. Control and evaluation of these programs appear to be excellent. Since these are the major programs of the Center, and since two members of the board administer these programs, the board takes a great interest in their operation.

These programs are evaluated not only by the program managers but also by the School District, the State Department of Education (to determine continued funding) and the teachers and participants in the program. Both programs currently are operating at capacity and have waiting lists. All evaluations prepared by these agencies have been very positive. In sharp contrast, however, much less attention is directed toward the other operating agencies in this facility.

The main consideration by the board of directors for other programs involves a review of the number of clients that are serviced and the space being utilized by the various operating agency. Actual evaluation of effectiveness of the program, or the overall goals of the center, are not formalized. As previously noted, the City is ultimately responsible for the operation of the Center and accomplishment of the goals originally established for its operation. Therefore, an evaluation system should be established to insure that the operating agencies and the Center as a whole are proceeding toward accomplishment of established goals. (See Recommendation No. 1.)

Records Maintained by the Operating Agency

The Center maintains comprehensive historical records of the development of the agency and the facility as well as contract information with lessees and normal communication data.

In-depth financial records are not maintained, since under the Operating Agency Agreement the City Controller and Treasurer are responsible for this activity.

Accomplishment of Objectives

Under the contract with HUD, the Neighborhood Facility is to be used to carry out a program of health, recreational, social or similar community services. The JPA designates the Center as providing approved educational opportunities for pre-school, elementary, and high school children, as well as other essential social services which are desired and needed by the residents of the area.

To date, as previously noted, the programs operated by LAUSD, involving pre-school, infant toddler programs and extended day care, have been highly evaluated by all reviewing and monitoring agencies. Although extensive dental facilities are available at the center they have not yet been utilized. However, funding for a pilot dental program is included in the City's application for Housing and Community Development Block Grant funds. Health programs are operated by LAUSD (which has a registered nurse available and provides periodic medical screening for its program participants), the Easter Seal Society (which provides some medical assistance to the handicapped) and the Western Association of Neighborhood Health Services (which administers and coordinates the health services and programs of the Community Centers). Some recreational activities such as social gatherings and summer camp trips, are sponsored by the Youth Information Center as part of its community program.

From the observations made during this audit, the programs appear to be operating with adequate administration. Additionally, the excellent condition of the facility indicates the acceptance by the community of the Center and its programs. However, notwithstanding the HUD requirement for direct involvement of a "local public body", these same services could have been provided without the involvement of the City of Los Angeles.

All agencies which are operating from the Multi-Service Center are grant funded, either through Federal or State programs. However, the City still is responsible for the overall operation of the facility and the accomplishment of the objectives as specified in the various agreements. This responsibility remains although no type of evaluation system has of yet been established by the City.

At this point in time, the City's effort consists of providing maintenance and custodial services and funding the administrative positions which are in reality a staff for the board of directors. Therefore, the City is in a position of both financing and being responsible for the effective operation of the facility but has a tenuous, indeed nearly a non-existent role in the control of operations of the facility and the decisions as to the types of programs which should be operated from the facility.

In view of this situation, it seems more appropriate for the City to pursue disengagement from operational responsibility for this project, and, further, to avoid operational responsibilities for projects of this type in the future. Although it may be appropriate for the City to be involved in the design and construction of these types of facilities to ensure conformance with community needs and programs, involvement in their operation only creates financial liability for the City. If the City is to become involved with future projects of this type, clearly defined procedures for control over the total operation of the facility and methods of evaluating the effectiveness of the operation should be initially established. Additionally, provisions should be included to ensure that no financial support would be required from the General Fund.

APPENDIX I

Chronology of
Events for Construction of Multi-Service Center

<u>Date</u>	<u>Action Occurring</u>
December 30, 1971	Grant application signed by Acting Mayor and submitted to HUD
February 15, 1972	Joint Powers Agreement approved (Contract No. 41196)
July 10, 1972	Grant application approved by HUD (Contract No. NFP-CA-09-16-1004(G))
August 11, 1972	Operating Agency Agreement approved (Contract No. 41691)
October 17, 1972	Request the Public Buildings for estimate of project. Estimate indicated a deficit of approximately \$200,000
November 1, 1972	Council approved concept of providing additional Model Cities grant funds if additional funds are determined to be required.
February 9, 1973	Preliminary schematics for the facility are submitted
February 16, 1973	Estimates prepared by Public Buildings indicate a deficit of \$400,000
July 15, 1973	Amendment to Grant approved by HUD increasing available funding.
July 25, 1973	Council approved negative declarations for the project, C.F. 70-1488.
March 13, 1974	Bids are received for the project.
April 24, 1974	Council approved reallocation of additional funding from other Model Cities projects to the JET project, C.F. 73-2050 S-23. Mayor concurs in letter dated May 3, 1974.
June 10, 1974	Construction contract was awarded.
July 22, 1974	Construction commenced upon facility.
January 7, 1976	Board of Public Works accepted the facility as complete.

APPENDIX II

Relative Space Assignments to Tenant Agencies

<u>Area Occupied</u>		<u>Agency</u> <u>Current Lessees</u>	<u>Projected Revenue 1976-77</u>	
<u>Square Feet</u>	<u>Percentage of Total</u>		<u>Amount</u>	<u>Percentage of Total</u>
20,899	64.7	School District	\$60,000.00	63.0
1,144	4.2	Sons of Watts	7,550.40	7.8
820	2.5	Youth Information Center (Teen Post)	5,412.00	5.7
720	2.2	Easter Seal Society	4,752.00	5.0
400	1.2	Metropolitan Educational Child Center	2,640.00	2.8
255	.8	Western Association Neighbor- Health Services	1,683.00	1.8
654	2.0	Project HEAVY I (Teen Post)	4,316.40	4.5
200	.7	Project HEAVY II (Teen Post)	1,320.00	1.5
728	2.3	YWCA	4,804.80	5.0
<u>25,820</u>	<u>79.9</u>	Subtotal	<u>\$92,478.60</u>	<u>97.1</u>
<u>Unassigned Space</u>				
418	1.3	Balance Available for rental	\$ 2,758.80	2.9
6,054	18.8	Stair wells, corridors, equip- ment, toilets, administrative space	--	--
<u>6,472</u>	<u>20.1</u>	Subtotal	<u>\$ 2,758.80</u>	<u>2.9</u>
<u>32,292</u>	<u>100.0</u>	TOTAL	<u>\$95,237.40</u>	<u>100.0</u>



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Year	Amount	Description	Year	Amount
1960	\$1,000.00	General Fund	1960	\$1,000.00
1961	\$1,200.00	General Fund	1961	\$1,200.00
1962	\$1,500.00	General Fund	1962	\$1,500.00
1963	\$1,800.00	General Fund	1963	\$1,800.00
1964	\$2,100.00	General Fund	1964	\$2,100.00
1965	\$2,400.00	General Fund	1965	\$2,400.00
1966	\$2,700.00	General Fund	1966	\$2,700.00
1967	\$3,000.00	General Fund	1967	\$3,000.00
1968	\$3,300.00	General Fund	1968	\$3,300.00
1969	\$3,600.00	General Fund	1969	\$3,600.00
1970	\$3,900.00	General Fund	1970	\$3,900.00
1971	\$4,200.00	General Fund	1971	\$4,200.00
1972	\$4,500.00	General Fund	1972	\$4,500.00
1973	\$4,800.00	General Fund	1973	\$4,800.00
1974	\$5,100.00	General Fund	1974	\$5,100.00
1975	\$5,400.00	General Fund	1975	\$5,400.00
1976	\$5,700.00	General Fund	1976	\$5,700.00
1977	\$6,000.00	General Fund	1977	\$6,000.00
1978	\$6,300.00	General Fund	1978	\$6,300.00
1979	\$6,600.00	General Fund	1979	\$6,600.00
1980	\$6,900.00	General Fund	1980	\$6,900.00
1981	\$7,200.00	General Fund	1981	\$7,200.00
1982	\$7,500.00	General Fund	1982	\$7,500.00
1983	\$7,800.00	General Fund	1983	\$7,800.00
1984	\$8,100.00	General Fund	1984	\$8,100.00
1985	\$8,400.00	General Fund	1985	\$8,400.00
1986	\$8,700.00	General Fund	1986	\$8,700.00
1987	\$9,000.00	General Fund	1987	\$9,000.00
1988	\$9,300.00	General Fund	1988	\$9,300.00
1989	\$9,600.00	General Fund	1989	\$9,600.00
1990	\$9,900.00	General Fund	1990	\$9,900.00
1991	\$10,200.00	General Fund	1991	\$10,200.00
1992	\$10,500.00	General Fund	1992	\$10,500.00
1993	\$10,800.00	General Fund	1993	\$10,800.00
1994	\$11,100.00	General Fund	1994	\$11,100.00
1995	\$11,400.00	General Fund	1995	\$11,400.00
1996	\$11,700.00	General Fund	1996	\$11,700.00
1997	\$12,000.00	General Fund	1997	\$12,000.00
1998	\$12,300.00	General Fund	1998	\$12,300.00
1999	\$12,600.00	General Fund	1999	\$12,600.00
2000	\$12,900.00	General Fund	2000	\$12,900.00
2001	\$13,200.00	General Fund	2001	\$13,200.00
2002	\$13,500.00	General Fund	2002	\$13,500.00
2003	\$13,800.00	General Fund	2003	\$13,800.00
2004	\$14,100.00	General Fund	2004	\$14,100.00
2005	\$14,400.00	General Fund	2005	\$14,400.00
2006	\$14,700.00	General Fund	2006	\$14,700.00
2007	\$15,000.00	General Fund	2007	\$15,000.00
2008	\$15,300.00	General Fund	2008	\$15,300.00
2009	\$15,600.00	General Fund	2009	\$15,600.00
2010	\$15,900.00	General Fund	2010	\$15,900.00
2011	\$16,200.00	General Fund	2011	\$16,200.00
2012	\$16,500.00	General Fund	2012	\$16,500.00
2013	\$16,800.00	General Fund	2013	\$16,800.00
2014	\$17,100.00	General Fund	2014	\$17,100.00
2015	\$17,400.00	General Fund	2015	\$17,400.00
2016	\$17,700.00	General Fund	2016	\$17,700.00
2017	\$18,000.00	General Fund	2017	\$18,000.00
2018	\$18,300.00	General Fund	2018	\$18,300.00
2019	\$18,600.00	General Fund	2019	\$18,600.00
2020	\$18,900.00	General Fund	2020	\$18,900.00
2021	\$19,200.00	General Fund	2021	\$19,200.00
2022	\$19,500.00	General Fund	2022	\$19,500.00
2023	\$19,800.00	General Fund	2023	\$19,800.00
2024	\$20,100.00	General Fund	2024	\$20,100.00

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